

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 SS-15 STR-07 CEA-01
DOE-15 SOE-02 DOEE-00 SSO-00 INRE-00 NSCE-00
ICAE-00 /104 W

-----078671 221619Z /47

O 221425Z MAY 78
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC IMMEDIATE 2675

LIMITED OFFICIAL USE SECTION 1 OF 2 THE HAGUE 2789

FROM HEGINBOTHAM

E.O. 11652: NA
TAGS: EGEN EFIN EAID ETRD ASEAN JA
SUBJECT: JAPANESE AID UNTYING AND YEN CREDITS

1. FOLLOWING TELEGRAM HAS BEEN CLEARED BY ALL RELEVANT
EA, EUR, EB AND AID OFFICES. PLEASE TRANSMIT FOR ACTION
TO ALL ASEAN CAPITALS PLUS TOKYO, RANGOON AND SEOUL, AND
FOR INFO TO TAIPEI AND PARIS (USOECD).

2. QUOTE
E.O. 11652: NA
TAGS: EGEN EFIN EAID ETRD ASEAN JA
SUBJECT: JAPANESE AID UNTYING AND YEN CREDITS

REF: (A) STATE 106845. (B) TOKYO 5222, (C) STATE 66698

1. A KEY ELEMENT IN OUR ONGOING ECONOMIC POLICY
DISCUSSIONS WITH THE GOJ IS JAPAN'S EFFORT TO REDUCE ITS
CURRENT ACCOUNT SURPLUS. REFTEL A REPORTED GOJ DECISION
TO UNTIE AID IN PRINCIPLE BEGINNING MARCH 15, 1978 IN THE
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FOLLOWING CATEGORIES:

- A. CONCESSIONAL COMMODITY LOANS
- B. CO-FINANCED LOANS
- C. TWO-STEP LOANS AND

D. OTHER LOANS IF REQUESTED BY RECIPIENT GOVERNMENTS.

2. AS NOTED IN REF A, THE GOJ PRINCIPLES STATE: QUOTE
IF THE RECIPIENT GOVERNMENT PREFER TO RECEIVE JAPANESE
LOANS ON A TIED OR LDC UNITED BASIS, THE GOVERNMENT OF
JAPAN WILL ACCOMMODATE THEIR PREFERENCES. UNQUOTE. THERE
IS A GOOD DEAL OF ROOM FOR INTERPRETATION REGARDING THE
APPLICATION OF THE GUIDELINES. THE PROVISIO THAT THE
BORROWER HAS TO EXPRESS A STRONG DESIRE FOR UNITED
CREDITS IS PARTICULARLY SUSPICIOUS. ON SOME PREVIOUS
OCCASIONS WHEN WE QUERIED THE JAPANESE ON AID UNTYING
WE WERE TOLD THAT THE BORROWER WISHED TO PROCURE IN
JAPAN.

3. PRIME MINISTER FUKUDA ANNOUNCED DURING HIS MAY 2-3
VISIT TO WASHINGTON THAT JAPAN WOULD DOUBLE ITS AID IN
THREE YEARS INSTEAD OF FIVE. (JAPAN ANNOUNCED AT THE
JUNE 1977 CIEC THAT IT WOULD DOUBLE ITS OFFICIAL
DEVELOPMENT ASSISTANCE IN FIVE YEARS E.E. ITS ODA
DISBURSEMENTS IN JAPAN FISCAL 1982 (APRIL 82-MARCH 83)
WOULD BE DOUBLE THAT OF JAPAN FISCAL 1977). THUS, WE
BELIEVE THAT NOW JAPAN'S ODA JFY 1980 WILL BE DOUBLE
THAT OF JFY 1977, WHICH WAS ABOUT 1.2 BILLION DOLLARS
(AT 1 DOLLAR EQUALLYING 225 YEN). (FOR TOKYO: PLEASE
CONFIRM OR CLARIFY THIS POINT OF DOUBLING IN THREE YEARS).
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4. PURPOSE OF UNTYING AND INCREASING AID IS TO HELP
REDUCE JAPAN'S LARGE CURRENT ACCOUNT SURPLUS. WE
IMAGINE THAT GOJ WILL WANT TO TAKE THE OPPORTUNITY AT
VARIOUS MEETINGS, SUCH AS THE DAC REVIEW, TO PROVIDE
INFORMATION ON THE RESULTS OF ITS POLICY OF GENERAL
UNTYING. WE WOULD LIKE TO KNOW HOW THE GOJ IS CARRYING
OUT THESE PRINCIPLES AND HOW JAPANESE AID RECIPIENTS
ARE RESPONDING TO THEM.

5. FOR TOKYO: TOKYO SHOULD ADD ACTION ADDRESSEES TO
ITS REGULAR MONTHLY REPORT OF JAPANESE AID GRANTED.
FORMAT SHOULD BE SHIFTED FROM AIRGRAM TO TELEGRAM AND
THERE SHOULD BE A SECTION ON EXPECTED LOAN/PROJECTS
UNDER CONSIDERATION WHICH HAVE NOT BEEN DECIDED,
BUT OFFER OPPORTUNITIES FOR NON-JAPANESE SUPPLIERS.
EMBASSY MIGHT ALSO CONSIDER A PERIODIC CIRCULAR,
UNCLASSIFIED MESSAGE TO ALL EA POSTS REPORTING ON
FORTHCOMING JAPANESE TENDERS FOR MAJOR AID PROJECTS. AT
THIS TIME WE DO NOT KNOW IF SUCH INFORMATION IS READILY
AVAILABLE BUT WOULD APPRECIATE EMBASSY LOOKING INTO THE
POSSIBILITY AND ADVISING US ON THE POSSIBILITY.

6. FOR OTHER ACTION ADDRESSEES:

A. THE USG, OF COURSE, HAS NOT GENERALLY UNTIED ITS BILATERAL AID, BUT WE DO OFFER DEVELOPING COUNTRIES THE OPPORTUNITY TO BID ON AID FINANCED PROJECTS. USG CONSEQUENTLY IS IN SOMEWHAT OF AN AWKWARD POSITION IF IT WERE TO ENCOURAGE RECIPIENT COUNTRIES OF JAPANESE BILATERAL AID TO PPRSS GOJ TO UNTIE COMPLETELY ITS AID. NEVERTHELESS, EMBASSIES MIGHT INQUIRE IN LOW KEY WAY WITH HOST GOVERNMENT OFFICIALS WHAT THEIR INTENTIONS ARE REGARDING GOJ ANNOUNCEMENT TO UNTIE AID. WE WOULD APPRECIATE RECEIVING REPORTS ON HOW HOST GOVERNMENTS PLAN TO RESPOND TO GOJ AID UNTYING ANNOUNCEMENT.

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NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEES.

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INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

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B. EMBASSIES MIGHT CONSIDER SETTING UP PROGRAMS TO COORDINATE WITH HOST GOVERNMENT AUTHORITIES (E.G. AID MANAGEMENT AGENCY AND DEVELOPMENT BANK, IF APPROPRIATE) WITH LOCAL JAPANESE EMBASSY, AND WITH LOCAL BUSINESS COMMUNITY. SUCH A PROGRAM MIGHT INCLUDE CONTACTS WITH LOCAL US-AFFILIATED FIRMS SO THAT THEY WOULD BE AWARE

OF OPPORTUNITIES FOR JAPANESE CONCESSIONARY FINANCING
IN HOST COUNTRY AND, THROUGH REGULAR EMBASSY TOKYO
REPORTING, OF OPPORTUNITIES IN NEIGHBORING COUNTRIES.
FYI: SEVERAL US FIRMS HAVE ALREADY ASKED DEPARTMENT FOR
BACKGROUND INFORMATION ON "LDC-UNITED" JAPANESE AID
WHICH MAY PROVIDE BUSINESS OPPORTUNITIES FOR THE US
FIRMS' ASIAN-BASED AFFILIATES. END FYI. WE WOULD
APPRECIATE EMBASSY COMMENTS REGARDING FEASIBILITY OF
SETTING UP SUCH A PROMOTIONAL PROGRAM.

7. AS DESCRIBED IN REF B, THE JAPANESE HAVE EARMARKED
THE EQUIVALENT OF 680 MILLION DOLLARS IN YEN CREDITS
TO VARIOUS SEA COUNTRIES. THE GOJ SEEMS TO BE PURSUING
A CONTRADICTORY POLICY REGARDING THE USE OF THESE
CREDITS. ON THE ONE HAND, THE GOJ SAYS THESE CREDITS
ARE NOT TO RESTRAIN THE RECIPIENTS FROM OBTAINING GOODS
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AND SERVICES FROM THE LOWEST COST SOURCE. ON THE OTHER
HAND, THEY MAY BE USED FOR PROCUREMENT ONLY IN JAPAN.
THE GOJ DOES NOT CONSIDER THEM TO BE TIED BECAUSE THE
RECIPIENT COUNTRY CAN SELECT FOR THE USE OF THESE
CREDITS THOSE PROJECTS FOR WHICH IT CAN COMPETITIVELY
PROCURE IN JAPAN. BUT OBVIOUSLY THIS SYSTEM CONTAINS
A STRONG BIAS IN FAVOR OF PROCUREMENT FROM JAPAN.

8. WE JUST HAD A REPORT OF MITI MINISTER KOMOTO'S
VISIT TO KUALA LUMPUR WHERE HE CONCLUDED NEGOTIATIONS
ON THE USE OF 85 MILLION DOLLARS YEN CREDIT AND
ANNOUNCED EARLY NEGOTIATIONS OF A NEW CREDIT LINE IN
THE SAME AMOUNT. THERE IS NO INDICATION OF ANY CHANGES
IN THIS CREDIT SYSTEM. IN ADDITION SO FAR WE HAVE NOT
FOUND AN INSTANCE OF JAPANESE BILATERAL AID WHICH
RESULTS IN NON-JAPANESE PROCUREMENT, BUT, OF COURSE,
IT MAY BE TOO EARLY TO EXPECT SUCH A CHANGE.

9. EMBASSIES MIGHT INQUIRE HOW THE RECIPIENTS PLAN
TO USE THESE CREDITS. AS PROJECTS ARE DEVELOPED AND
THESE CREDITS ARE DRAWN DOWN, WE WOULD APPRECIATE
PERIODIC REPORTS CONCERNING THE TYPE OF PROCUREMENT
AND THE WAY THAT THESE CREDITS ARE HANDLED.
UNQUOTE

3. WE ARE SENDING REFERENCE MESSAGES TO ALL ACTION AND
INFO POSTS.
BROWN

NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEES.

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Message Attributes

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Litigation History:
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